NTS Exhibit 1.0

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

GALLATIN RIVER COMMUNICATIONS L.L.C. D/B/A CENTURYLINK	)))	
Petition for Arbitration Pursuant to Section 252(b) of the Communications Act of 1934, as amended by the Telecommunications Act of 1996 To Establish the Rates, Terms, and Conditions of Interconnection with NTS Services Corp.	)))))))	**Docket No. 11-0567**

DIRECT TESTIMONY OF FRED MIRI

ON BEHALF OF

NTS SERVICES CORP.

September 23, 2011

Q. Please state your name and provide your business address.

A. Fred Miri. I currently provide consulting from my home in Streamwood, Illinois.

Q. On whose behalf are you submitting testimony?

A. I am submitting this testimony on behalf of my consulting client, NTS Services Corp.

<u>Background</u>

Q. Please describe your educational and professional background.

A. I am a 1966 graduate of Henry Ford College. I have also completed course work in telecommunications at George Washington University in Washington, D.C., the Illinois Institute of Technology and North Central College in Illinois. In addition, I have attended numerous training classes covering a variety of subjects such as network operations, digital and analog switching systems, digital carrier systems, analog and digital wireless systems, engineering economics and cost methods.

I joined Ameritech Illinois in 1966 in an installation and maintenance group. In 1967, I entered the United States Air Force. After my honorable discharge in 1971, I resumed my career at Ameritech Illinois in the network switching group, with responsibility for maintaining the Company's analog and digital electronic switches. In 1988, I moved to Ameritech's Regulatory Department as an Assistant Manager of Service Cost Analysis with responsibility for developing cost support for new services. In 1990, I was promoted and assigned to Ameritech Illinois' Corporate Strategy Group as Supervisor, Wireless Strategy, where I became involved in the development of new wireless and data services.

I was also responsible for operating the wireless network for Ameritech’s personal communications service trial under an FCC license.

In 1993, I was promoted to Manager, Economic Analysis in the Company’s Public Policy Group with responsibilities for methods, procedures and cost development. I assumed responsibility for the regulatory affairs of the Ameritech Information Industry Services unit in 1994, specifically with interconnection and wireless service issues. I was promoted to Director of Regulatory-Policy and Lead Business Unit Advocate in 1997 and, in addition to other duties; I assumed responsibility for all payphone regulatory matters as well as the Federal Separations reporting group.

In 2000, I became Director or Regulatory Affairs for Ameritech Illinois just after Ameritech Corporation was acquired by SBC Communications. Shortly, thereafter, along with 13,000 other SBC middle and upper managers, I took an early retirement offer. In May 2001, I began working as a Senior Consultant with LECG (Law and Economics Consulting Group) out of its Evanston, Illinois office. I was responsible for assisting telecom companies with various cost and regulatory issues. Some of my clients were large RBOCs as well as international communications carriers.

One of my smaller clients was a small Internet Service Provider and CLEC in Pekin, Illinois, called NTS Services Corp. For NTS, I assisted in negotiating an interconnection agreement with GRC.

As a result of my exposure to GRC, in 2002, I was offered and accepted the position of Vice President of Operations for Madison River Communications ("MRC") - GRC's parent company. Initially, I was responsible for MRC's CLEC Operations in Illinois, North Carolina, Texas, Louisiana and Mississippi. In late 2004, I assumed the position of President of GRC in Illinois. In September 2007, due to my parents' failing health, I retired to help care for them. I currently take only selected short term consulting assignments.

Q. Have you previously presented testimony before the Illinois Commerce Commission?

A. Yes. I presented testimony in Dockets 95-0204; 95-0413; 96-0257; 97-0307; 98-0453; 00-0027; and 07-0394. I have also testified before the Michigan and Indiana commissions.

Q. In your background information you stated that as Vice President of Operations for Madison River you were responsible for the CLEC operations of Madison River. Can you elaborate on what those responsibilities included?

A. I assumed that responsibility in June of 2002. My responsibilities included the CLEC operations in Illinois, North Carolina, Louisiana, Texas and Mississippi. As well as customer installations I was responsible for the financial, regulatory, sales and carrier relations with interconnected ILECs. This included insuring that interconnection agreements met the needs of our customers and that ILEC billing was correct from Ameritech, Bell South, SBC and other carriers with which we did business. I also was responsible for overseeing payment for those services that MRC received from its vendors and establishing a good payment record.

Q. So it is fair to say that your experience in Madison River's CLEC operations has provided you with knowledge of competitive interconnection issues, practices, and rates from a CLEC perspective?

A. Yes. That is a fair assessment.

Q. Can you outline the history of GRC's ownership of its exchanges in Illinois?

A. In 1998, Madison River Communications purchased the 22 exchanges of what is now Gallatin River Communications from Sprint Corporation. Prior to Sprint, these 22 exchanges were known as Centel and I believe that goes back to the 1950's and 1960's. When MRC purchased these exchanges from Sprint in 1998, there was no internet capability in the network for customers nor was there very much in the way of modern fiber optic facilities in place. In the 10 years since, GRC spent millions of dollars in capital so that when I left the company, approximately 92% of the customers in the service area had access to high speed broadband services and there were over 349 miles of new fiber optic cable in place of older copper facilities providing a more reliable and higher capacity network to serve our 22 exchanges. In April 2007, CenturyTel (now CenturyLink) closed on its purchase of Madison River Communications – the parent company of GRC.

Q. Have you read the Petition for Arbitration filed by CenturyLink in this docket?

A. Yes.

Q. Were you involved in the negotiations of the interconnection agreement on behalf of NTS prior to CenturyLink's arbitration filing?

A. Yes.

Q. Do you agree that only two issues remain in dispute for the arbitration?

A. No. During the negotiations, NTS chose to focus on a list of proposed unbundled network element charges and came to agreement on most of those with CTL. Several other issues have been discovered since the time CTL filed the arbitration. The rate for unbundled two wire loops and the rate for the unbundled DS1 are perhaps the most important issues, but there are others including non-recurring charges; 911 charges; and other issues. I do not believe CTL even provided responses to perhaps a third of the proposed ICA's redlines that NTS proposed. We chose to focus on the basic loop charges because they were the most crucial to NTS' business and determined that if those issues could not be resolved, arbitration could not be avoided. Therefore, the other issues would need to be addressed in the context of the arbitration.

Q. When did CTL provide its price list of unbundled network element rates?

A. This was a frustrating part of the negotiations. CTL provided some rates on February 2, 2010. The complete list was not provided until much later.

Q. Is it your understanding that NTS' current pricing is based on the interconnection agreement and is subject to true-up charges per the results of this arbitration?

A. Yes.

Q. What would be the impact of those charges being applied retroactively and prospectively?

A. It would be catastrophic to NTS' business and likely to any other CLEC operating in a CTL exchange area. The total monthly invoiced amount from CTL to NTS would expand by greater than 100%. That would be impossible to recoup without dramatically raising customers' rates or losing any hope of competing in the market.

Q. Can you conceive of an ILEC's TELRIC costs doubling?

A. No, I can not. Historically, TELRIC costs to maintain ILEC network plant on a going forward basis have decreased, not increased.

Q. Does NTS have a TELRIC cost model available to challenge these prices?

A. No, it is not a CLEC's obligation to provide a TELRIC cost model—that is the responsibility of the ILEC per the Telecommunications Act. State commissions then review the model to determine if the model is accurate and the rates originate from the final approved model. I am stunned that CTL would expect NTS to propose its own cost model.

Q. On what basis does NTS challenge the TELRIC cost study proposed by CTL?

A. To the extent that I can comprehend both the TELRIC cost models provided by CTL during the late stage of the negotiations and the one provided through discovery, I believe they are deeply flawed.

Q. What is the difficulty in understanding the current TELRIC cost study?

A. From what I have reviewed, the annual charge factors ("ACF") for direct costs such as cost of capital, maintenance, and taxes appear much higher than I have seen and developed in other cost studies. These ACFs are not consistent with a well run company which I believe CTL is. For another example, I presume the cost of CTL's airplanes is included in the cost study. That was shown under "Other Direct Costs" along with whole buildings, retail call centers, retail marketing, advertising and other non-wholesale costs. During negotiations, CTL could not satisfactorily explain the inclusion of these items and insisted that it was proper. It was never the intent of Congress or the FCC that the entire retail cost for CTL to provide service including business office; marketing; advertising; etc. be included when determining the proper TELRIC pricing. CTL has also refused to provide the underlying mechanisms by which it chose its underground, aerial, feeder, drop, NID and DLC investments. This is the third largest telephone company in the country and surely it has contracts for the supply of infrastructure investments with prices more favorable than a small rural operation or just me walking into a Graybar store and asking for 1000 feet of cable or fiber.

CTL has also failed to describe in detail the loop model and how it uses these unknown investments. We saw huge facility investments indicated in its cost summary that were never explained. For instance a sizable investment in poles could not be explained, but we understand that many of the poles are jointly owned with the power company. A review of the maintenance records might reveal that the power company is responsible for maintaining and replacing them. CTL has not indicated on what basis the labor portion of the costs are derived and what underlying contracts are in place for the placement of the facilities in question. We assume that because most of the Illinois employees that did this work were laid off or were not replaced.

The TELRIC standard only allows costs necessary to maintain the existing network plant, i.e. forward-looking network costs. This Commission made this point very clear in its decision in Docket 02-0864 analyzing SBC's proposed UNE rates. Without the raw data supporting these costs, no one can properly analyze them. Based on my review of the staff's second set of data requests to CTL, it appears staff has similar concerns.

Q. How then did NTS develop its proposed loop rates?

A. Without a clear, comprehensible ILEC cost study, the only way for a CLEC to propose UNE rates is to extrapolate through logic. It must compare the previous rates with the new rates proposed, and compare those rates to those prevailing in similar density local exchanges. NTS used these methods to develop its proposed rates.

Q. What factors did NTS take into consideration when suggesting a $12.50 rate for a basic DS-0 UNE loop?

A. NTS' previously paid a loop rate of less than $18.00 for loops in Pekin. Per CTL's letter of August 2, 2011, the current proposal is $26.85. That is actually a reduction from a previously proposed rate of $32.75. Just logically, such a price increase can not possibly be explained. The maintenance costs for the plant in Pekin can not have increased so dramatically. NTS also considered the prices charged by AT&T for a DS-0 loop in the Bartonville exchange. That rate is $14.91 and AT&T considers Bartonville to be in its most rural rate band. Pekin has a population five times that of Bartonville and is a commercial center for Tazewell County. The middle, suburban rate band for AT&T is $12.40. NTS believes that Pekin is more similar to a suburban exchange and the pricing should roughly match. Frontier's rates are nowhere close to CTL's proposed rates either. As such, NTS proposed a rate of $12.50 for Pekin. The Manito and South Pekin exchanges served by NTS are priced by CTL at $106.72. That price would not only be the highest price in Illinois, but quite possibly the highest in the nation. Considering that CTL offers a retail basic phone line at $19.00 to its customers it is quite clear that if its pricing is sustained, CTL will drive out every competitor in Pekin and the surrounding communities. We do not believe that these rates can possibly be supported.

Q. What factors did NTS take into consideration when suggesting a $99.00 rate for a basic DS-1 UNE loop?

A. NTS followed the same logic as used in proposing a DS-0 rate. The Bartonville DS-1 rate is similar to the $99.00 rate proposed by NTS. That is lower than the $121.97

proposed by CTL. In this case, NTS is accepting a rural banded rate as a proxy. Perhaps the rate should be even lower than that proposed by NTS if the increased density of Pekin is taken into consideration. What is really ironic is that CTL's own CLEC operation in AT&T (Peoria, East Peoria, and Bartonville) and Frontier territory (Bloomington/ Normal) enjoys fair Commission- approved pricing, but seems to be trying hard not to provide the same in its ILEC exchanges.

Q. What action do you suggest the Commission take in this proceeding?

A. The Commission should closely analyze the cost study model, including whatever loop model was used by CTL to ensure that only the proper TELRIC elements are included in it. It should also consider that all the digital loop carriers ("DLCs"), electronics, and fiber are primarily for the use of CTL's own retail customers. CTL has a long standing policy of not allowing any CLEC loop to ride on even a foot of its fiber, nor can CLEC traffic pass through a CTL DLC, yet CTL still expects to include these items in its cost study. These factors should be considered along with those previously mentioned. Prices should then be set accordingly.

Q. Does this conclude your testimony at this time?

A. Yes it does.